

# Why Add a Roth Account to an Employer's 401(k)?

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**Reason #1:** The contribution limits are a lot higher for a Roth 401(k) than for Roth IRA.

- \$6,000 is the 2022 limit for a Roth IRA, plus a \$1,000 catch-up contribution for individuals who are age 50 or older.
  - For 2023, the new limit is \$6,500. The catch-up contribution limit remains \$1,000.
- Roth 401(k) 2022 limits: \$20,500, plus catch-up of \$6,500
  - For 2023, the new limit is \$22,500, plus catch-up of \$7,500 = \$30,000.

**Reason #2:** A Roth 401(k) has no phase-out for participants who earn too much, according to the Tax Code.

- Contributions to a Roth IRA are phased out for taxpayers depending on filing status: married individuals who have adjusted gross income (AGI) that exceeds \$204,000. For single taxpayers, the phase out begins at \$129,000. A married or single taxpayer may not make any Roth IRA contribution if AGI exceeds \$214,000 or \$144,000, respectively.
  - For 2023, the AGI phase-out threshold for married taxpayers is increased to \$218,000, and for single taxpayers it is increased to \$129,000.
  - In 2023, Roth IRA contributions are not permitted by married taxpayers with AGI exceeding \$228,000 and for single taxpayers with AGI exceeding \$138,000.
- A Roth 401(k) has no AGI requirement for Roth contributions. Participants may make Roth 401(k) contributions regardless of income. General rule: at the minimum, a participant must receive compensation from the employer equal to the amount of the Roth 401(k) contribution.

**Reason #3:** An employer makes matching contributions to Roth 401(k) accounts in the same amount as it makes matching contributions for elective deferral contributions.